

Message Text

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ACTION EA-10

INFO OCT-01 NEA-09 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01

OPIC-03 XMB-02 PA-01 PRS-01 USIA-06 /101 W

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R 090900Z JAN 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 8751

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAGS: ENRG MY

SUBJECT: ARABS TO INVEST IN US DOLS 800 MILLION PETRO-
CHEMICAL COMPLEX IN MALAYSIA

1. SUMMARY. MIDDLE EAST OIL PRODUCERS HAVE AGREED IN
PRINCIPLE TO INVEST IN M DOLS 2,000 MILLION (US DOLS
800 MILLION) PETROCHEMICAL COMPLEX, FIRST ARAB INVESTMENT
IN MALAYSIA AND BELIEVED BE FIRST THIS TYPE IN SOUTHEAST
ASIA. COMPLEX WILL PRODUCE 1,500 TONS PER DAY OF UREA
FERTILIZER AND 200,000 TONS PER YEAR OF ETHYLENE. PETRO-
LEUM REFINERY WILL HAVE CAPACITY 250,000 BARRELS PER DAY.
U.S. COMPANY WILL PROBABLY BE AWARDED ENGINEERING CONTRACT.
PM'S OFFICE RAISES QUESTION OF PM APPROVAL WHICH NOT
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YET OBTAINED. END SUMMARY

2. MIDDLE EAST OIL PRODUCERS (REPORTEDLY INCLUDING SAUDI ARABIA, ABU DHABI, IRAQ AND POSSIBLY LIBYA) HAVE AGREED IN PRINCIPLE TO INVEST IN M DOLS 2,000 MILLION (US DOLS 800 MILLION) PETROCHEMICAL COMPLEX AT PORT DICKSON, MALAYSIA. PRESS RELEASE DESCRIBES INVESTMENT THROUGH PETROGAS, (CORPORATION ESTABLISHED FOR THIS PETROCHEMICAL PROJECT AND NOT TO BE CONFUSED WITH PETRONAS, NEW NATIONAL PETROLEUM CORP), AS MAIN INSTITUTIONAL AND CORPORATE VEHICLE OF ARAB INVESTMENT IN SOUTHEAST ASIAN REGION DURING NEXT FEW YEARS. PRESS RELEASE FURTHER STATES THAT THIS FULLY IN LINE WITH SPIRIT OF POLICY DECISIONS OF ISLAMIC FOREIGN MINISTERS CONFERENCE AND STRATEGIC POLITICAL, ECONOMIC, AND GEOGRAPHIC LOCATION OF MALAYSIA COULD PROVIDE SAFE AND ADEQUATE SPRINGBOARD FOR ARAB CAPITAL TO SEEK NEW AREAS INVESTMENT SOUTHEAST ASIA AND FAR EAST.

3. PETROCHEMICAL COMPLEX IN PORT DICKSON, NEGRI SEMBILAN (50 MILES SOUTH OF CAPITAL KUALA LUMPUR) WILL IN INITIAL STAGES PRODUCE 1,500 TONS PER DAY OF UREA FERTILIZER, 200,000 TONS PER YEAR OF ETHYLENE, AND PETROLEUM REFINERY WILL BE ESTABLISHED WITH INSTALLED CAPACITY OF 250,000 BARRELS PER DAY. CRUDE OIL USED WILL BE EXCLUSIVELY FROM MIDDLE EAST. COST OF TOTAL COMPLEX EXPECTED BE APPROXIMATELY M DOLS 2,000 MILLION (US DOLS 800 MILLION).

4. NEGOTIATIONS ON THIS COMPLEX BEGAN JULY '73. PETROGAS MALAYSIA INCORPORATED JUNE '74 WITH NEGRI SEMBILAN STATE DEVELOPMENT CORPORATION (NSDC) HOLDING 51 PERCENT EQUITY. NSDC INTENDS MAINTAIN 51 PERCENT EQUITY AS PROJECT PROGRESSES WITH PERHAPS GOM AND OTHER STATE GOVTS INVITED PARTICIPATE EQUITY SO MALAYSIAN SHAREHOLDING WILL NOT BE LESS THAN 51 PERCENT. REMAINING 49 EQUITY APPARENTLY WILL BE HELD BY MIDDLE EAST PRODUCERS.

5. T. JAYADENAN, VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF PETROGAS, INFORMED EMBASSY THAT HE WOULD RETURN MIDDLE EAST SHORTLY TO CONCLUDE SPECIFIC PARTICIPATED OFFICIAL USE

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PATION ARRANGEMENTS AGREED TO EARLIER IN PRINCIPLE. HE STATED THAT ONLY SMALL PORTION OF TOTAL COST WOULD BE REQUIRED AS CAPITAL INVESTMENT SINCE BULK OF FINANCING COULD READILY BE ATTAINED THROUGH EQUIPMENT SUPPLIERS AND OTHER CREDIT LINES. TOTAL MALAYSIA CAPITAL INVESTMENT IN PROJECT, THEREFORE, EXPECTED TO BE ONLY ON ORDER OF US DOLS 50 MILLION.

6. RE PETRONAS, JAYADENAN STATED THAT THERE IS IMPORTANT DISTINCTION BETWEEN "IMAGE AND ROLE", SUGGESTING THAT PETRONAS WOULD BE ENTITY TO WAVE NATIONAL INTERESTS BANNER BUT THAT, WITH STAFF OF ONLY FIVE PERSONS THUS FAR AND NEED TO CONCLUDE NEGOTIATIONS WITH STATES AND WITH OIL EXPLORATION COMPANIES (WHICH HE THOUGHT WOULD REQUIRE 12-18 MONTHS), PETRONAS WOULD NOT PLAY SIGNIFICANT SUBSTANTIVE ROLE IN NEAR FUTURE. IN THIS REGARD, HOWEVER, JANUARY 8 NEW STRAITS TIMES GAVE PROMINENT FRONT-PAGE COVERAGE TO STATEMENT BY PM'S PARLIAMENTARY SECRETARY (ABDULLAH MAJID) WHICH NOTED THAT PM'S ATTENTION DRAWN TO PRESS STATEMENT OF PETROGAS CHAIRMAN, MANSOR BIN OTHMAN, (MENTERI BESAR OF NEGRI SEMBILAN) ON ESTABLISHMENT OF COMPLEX, THAT PUBLIC INTEREST REQUIRED CLARIFICATION, THAT PETRONAS HAS NOT RECEIVED APPLICATION FROM PETROGAS, AND THAT APPLICATIONS ARE TO BE SUBMITTED TO PM FOR APPROVAL OR REJECTION AFTER PROCESSING BY PETRONAS.

7. COMMENT: DIRECT INVESTMENT BY MIDDLE EAST PRODUCER NOTEWORTHY IN THAT IT BELIEVED TO BE FIRST OF SUBSTANTIAL SIZE IN SEA. SUBSEQUENT DEVELOPMENTS IN PETROGAS-PETRONAS BYPLAY SHOULD RESULT IN CLARIFICATION OF SUBSTANTIVE ROLE OF PETRONAS.
UNDERHILL

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